MCI Telecommunications Corporation
1801 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

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April 23, 1996

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

RE: Revision of Filing Requirements; CC Docket No. 96-23

Dear Mr. Caton:

Enclosed herewith for filing are the original and four (4) copies of MCI Telecommunications Corporation's Reply Comments regarding the above-captioned matter.

Please acknowledge receipt by affixing an appropriate notation on the copy of the MCI Reply Comments furnished for such purpose and remit same to the bearer.

Sincerely yours,

Don Sussman
Regulatory Analyst

Enclosure
DHS

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of:	)	
	)	
Revision of Filing Requirements	)	CC Docket No. 96-23
	)	
	)	

REPLY COMMENTS

I. INTRODUCTION

MCI Telecommunications Corporation ("MCI"), pursuant to the Commission's Notice of Proposed Rulemaking ("NPRM") in the above-captioned proceeding, submits its reply to comments filed in this proceeding on April 8, 1996. In the NPRM, the Commission proposes to eliminate thirteen reporting requirements,[1] and to reduce the frequency of six other reporting requirements.[2] While MCI does not object to eliminating the reports proposed by the

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[1] The Commission proposes to eliminate the Equal Access Program Report, the Construction Budget Summary, the National Security and Emergency Preparedness Effectiveness Report, the AT&T Customer Premises Equipment ("CPE"): Installation & Maintenance Report, the AT&T Service Quality: Equipment Blockage and Failure Report, the BOC CPE Affidavit for Nondiscriminatory Provision of Network Maintenance, the BOC Sales Agency Program and Vendor Support Program Report, the Billing and Collection Contracts Report, the Circuit Report, the Record Carrier Letter Report, and the Report on Inside Wiring Services.

[2] The Commission proposes to reduce the reporting frequency of the ARMIS Service Quality Report 43-05, the Form 492: Rate of Return Report, the Joint Board Monitoring Program, the New Services Tracking Report, the Payphone Compensation Report, and the Report of Unsecured Credit to Political Candidates.

Commission, nor to the Commission-proposed reporting modifications, MCI is concerned that some of the additional reporting modifications suggested by the local exchange carriers ("LECs")will deprive the Commission of the information needed to assess LEC compliance with the Commission's rules, and required to monitor LEC service quality and infrastructure development. MCI is also concerned that rather than using this proceeding as a forum to reduce duplicative or unwarranted reporting requirements, some of the LECs have submitted proposals aimed solely at increasing their regulatory flexibility, and have understated the necessity of providing such information.

II. NEW SERVICE TRACKING REPORT SHOULD NOT BE ELIMINATED

Sprint, GTE, Pacific Bell, United States Telephone Association ("USTA"), Bell Atlantic, and Southwestern Bell Telephone Company ("SWBT") request that the Commission eliminate the New Service Tracking Report because new services are listed in the annual access filings. The New Service Tracking Report is more than a listing of new services. This report compares the actual impact of a new service on the carrier's net quarterly revenues with the projections provided by the carrier when it initially filed the new service tariff. The report enables Commission staff to compare projected demand and related revenues for a new service with the actual results after that service becomes available. MCI agrees with the Commission that this report is necessary to evaluate the reliability of price cap carrier new service projections, and that this report should not be eliminated.[3]

The New Service Tracking Report is necessary to track the accuracy of the LECs with respect to all new services. LECs have every incentive to set the price of new services high, as this results in an inflated API. One way that LECs attempt to raise the price, is to underestimate demand. The New Service Tracking Report affords the Commission insight as to which LECs consistently understate demand forecasts for new services. Until effective competition exists in all telecommunications, this report should not be eliminated.

III. NEITHER THE ARMIS REPORTS NOR FORMS 495A AND 495B SHOULD BE ELIMINATED

BellSouth argues that ARMIS Reports 43-01, 43-02, 43-03 and Forms 495A and 495B should be eliminated because the information is either redundant or unnecessary. Similarly, Bell Atlantic argues that ARMIS Report 43-04 should be eliminated, and Cincinnati Bell argues that ARMIS Reports 43-05, 43-06, and 43-07 should be eliminated.

ARMIS, the Automated Reporting Management Information System, is an automated system by which Tier 1 LECs report data by study area, by state, and by interstate jurisdiction. ARMIS Report 43-01 is a summary table, that reports costs and revenues, demand analysis, and restated data. ARMIS Report

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[3] NPRM at ¶18.

43-02 includes company level, opposed to study area specific, Class A information (e.g., balance sheet, income statement, and Form M information). ARMIS Report 43-03 includes forecasts of regulated and non-regulated usage and costs for each cost pool as required in the Joint Cost Order.[4] Report 43-04 includes a study area report containing jurisdictional separations and interstate access results for each category specified in Parts 36 and 69 of the Commission's rules. Each of the ARMIS reports serve different functions, report different levels of detail, and separate information differently. They do not overlap completely, and are therefore, not redundant. They should not be eliminated.

Moreover, these reports were established by the Commission to monitor a variety of LEC activities, including cost allocations between regulated and non-regulated activities and allocations between the state and interstate jurisdictions. LECs have a consistent history of attempting to shift costs from nonregulated services to regulated services. This strategy allows the LECs to burden its captive ratepayers with the risk, as well as the expense of the nonregulated services, while allowing it to price nonregulated services below true economic cost. Similarly, jurisdictional separations is the traditional mechanism by which interstate revenue requirements are separated from

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[4] Separation of Cost of Regulated Telephone Service from Costs of Non-regulated Activities, CC Docket No. 86-111, 2 FCC Rcd 1298, (1987) ("Joint Cost Order").

intrastate revenue requirements. Monitoring jurisdictional separations is necessary to track LEC earnings, which, in turn, is necessary to calculate sharing. LECs which argue that it is no longer necessary for the Commission to monitor LEC earnings because they have selected the 5.3 productivity level, ignore the fact that many jurisdictions, including the FCC, have not adopted pure price cap regulation. Reports which track jurisdictional and reg/nonreg separations are necessary to ensure that the LECs do not manipulate earnings by shifting costs between jurisdictions and among types of services.

Similarly, Forms 495A and B should not be eliminated, as BellSouth requests. These forms provide information on the regulated and non-regulated usage of shared investment, both on an estimated basis for the next three years (495A) and on an actual basis for the past year (495B). Information filed in these reports is needed by the Commission to assess the exogenous adjustments when the LECs claim a shift of costs between regulated and non-regulated, or to determine whether the LECs should have taken an exogenous reduction for this shift in costs when they did not.[5]

ARMIS Reports 43-05, 43-06, and 43-07 provide information which allows the Commission to monitor the LECs' quality and service standards. The Commission required the LECs to provide this information in response to concerns that, even under price caps, LECs would have strong incentives to

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[5] See Joint Cost Order.

shift their investments to other, potentially more lucrative enterprises, and to provide improvements only to customers in urban markets, to the detriment of smaller, harder-to-serve customers.[6] Cincinnati Bell argues that these ARMIS Reports should be eliminated because they "serve no useful purpose in today's competitive environment."[7] Given the limited presence of competitive forces in local telecommunications markets, the Commission's concerns remain. This is evident from statistics released in the Commission's Quality of Service Report, which was released by the Industry Analysis Division of the Common Carrier Bureau in March 1996.[8] This report illustrates, among other things, that over the last several years regulatory complaints, percent of switch outages, and customer dissatisfaction of local telecommunications services have all increased. Clearly, until the Commission determines that effective competition exists in all telecommunications markets, the ARMIS quality of service reports are necessary to protect the public interest. It is premature to eliminate the ARMIS quality assurance reports.

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[6] Policy and Rules Concerning Rates for Dominant Carriers, CC Docket No. 87-313, Second Report and Order, 5 FCC Rcd 6827 (1990).

[7] Cincinnati Bell Comments at 4.

[8] "Update on Quality of Service for the Local Operating Companies Aggregated to the Holding Company Level," by Jonathan M. Kraushaar, Common Carrier Bureau, Industry Analysis Division, Federal Communications Commission, March 1996.

IV. ARMIS REPORTS SHOULD CONTAIN QUARTERLY INFORMATION

Many of the LECs urge the Commission to reduce the frequency of all ARMIS report filing from quarterly to annually. The LECs argue that such a change is necessary to comply with Section 402(b)(2)(B) of the Telecommunications Act of 1996. That section states that the Commission shall permit any common carrier to file cost allocation manuals and ARMIS reports annually. Whether LECs should file ARMIS Reports quarterly or annually is outside the scope of this proceeding. The Commission is scheduled to issue an NPRM considering issues pertaining to regulatory reform later this year. At that time it can better determine how often ARMIS Reports should be filed.

V. SUNSET PROVISIONS ARE ARBITRARY

Pacific Bell and US West suggest, that in addition to the proposals made by the Commission, reporting requirements should automatically end after one or two years unless the Commission decides to extend reporting obligations. MCI urges the Commission to dismiss this proposal. Specific reporting requirements are adopted for specific reasons. There is no guarantee that these reasons will disappear in one or two years. Reporting requirements should only be streamlined or eliminated when the circumstances which required these reporting requirements have changed. They should not simply disappear because an arbitrary period of time has passed.

VI. THE REVENUE THRESHOLD FOR LEC REPORTING SHOULD NOT BE RAISED TO $1 BILLION

Presently, the Commission requires all Tier 1 LECs to file ARMIS Reports and Cost Allocation Manuals ("CAMs"). The effect of this requirements is that these reports must be filed by carriers earning more than $100 million in revenues.[9] Cincinnati Bell Telephone argues that this revenue threshold is too low. It recommends that the threshold be raised to $1 billion in revenue.

Cincinnati Bell's recommendation is irrelevant, and should be dismissed. Congress, as part of its regulatory reform, has already determined that the FCC shall adjust revenue requirements to account for inflation.[10] While Cincinnati Bell has offered no evidence demonstrating why the threshold level should be increased, if the Commission determines that it should adjust the $100 million threshold to adjust for inflation, the new threshold level should only be increased to $117 million.[11]

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[9] $100 million is also the threshold at which carriers must use the Class A Accounts in Part 32 of the Commission's rules. See 47 CFR, Section 32.11 for recording expenses and revenues. The Class A level of accounts serves as the basis for the ARMIS reports.

[10] Telecommunications Act of 1996, Section 402(c).

[11] Assuming 4 percent inflation per year since 1987.

VII. CONCLUSION

For the above-mentioned reasons, MCI urges the Commission to limit streamlining of LEC reporting requirements to the Commission's proposals, outlined in the NPRM released February 27, 1996. MCI also urges the Commission to reject the LECs' request that (1) ARMIS reports be eliminated; (2) sunshine provisions be established on reporting requirements; and (3) revenue thresholds be raised.

Respectfully submitted,
MCI TELECOMMUNICATIONS CORPORATION

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April 23, 1996

STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on April 23, 1996.

Don Sussman
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CERTIFICATE OF SERVICE

I, Stan Miller, do hereby certify that copies of the foregoing Comments were sent via first class mail, postage paid, to the following on this 23rd day of April 1996.

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